

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Berrien Springs Community Library*

*Berrien County, Michigan*

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

*Year ended March 31, 2005*

---

## CONTENTS

---

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Statement of net assets and governmental fund balance sheet	4
Statement of activities/statement of revenues, expenditures, and changes in fund balance	5
Notes to financial statements	6 - 10
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of revenues, expenditures, and changes in fund balance budget and actual - Operating Fund	11

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Berrien Springs Community Library

We have audited the accompanying financial statements of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2005, and for the year then ended, which collectively comprise the Berrien Springs Community Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Berrien Springs Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of Berrien Springs Community Library, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule on page 11 is not a required part of the basic financial statements of the Berrien Springs Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Berrien Springs Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

August 31, 2005

## **BASIC FINANCIAL STATEMENTS**

**Berrien Springs Community Library****STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE**

March 31, 2005

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 180,771	\$ -	\$ 180,771
Investments	1,637		1,637
Receivables	179,000	-	179,000
Prepaid expenses	<u>1,556</u>	<u>-</u>	<u>1,556</u>
Total current assets	362,964	-	362,964
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,105,508</u>	<u>1,105,508</u>
Total assets	<u>\$ 362,964</u>	<u>1,105,508</u>	<u>1,468,472</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	<u>6,505</u>	<u>-</u>	<u>6,505</u>
<b>FUND EQUITY</b>			
Fund balance:			
Designated to act as an endowment	25,000	(25,000)	-
Unreserved undesignated	<u>331,459</u>	<u>(331,459)</u>	<u>-</u>
Total fund balance	<u>356,459</u>	<u>(356,459)</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 362,964</u>		
<b>NET ASSETS</b>			
Invested in capital assets		1,105,508	1,105,508
Unrestricted		<u>356,459</u>	<u>356,459</u>
Total net assets		<u>\$ 1,461,967</u>	<u>\$ 1,461,967</u>

Amounts reported in the statement of net assets are different because:

Total fund equity	\$ 356,459
-------------------	------------

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the fund.

<u>1,105,508</u>
------------------

Total net assets	<u>\$ 1,461,967</u>
------------------	---------------------

See notes to the financial statements

**Berrien Springs Community Library****STATEMENT OF ACTIVITIES/STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE***Year ended March 31, 2005*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Program expenditures/expenses</b>			
Recreation and cultural - library:			
Operations	\$ 253,908	\$ (30,043)	\$ 223,865
Depreciation	-	84,555	84,555
Capital outlay	14,043	(14,043)	-
Total program expenses	<u>267,951</u>	<u>40,469</u>	<u>308,420</u>
<b>Program revenues</b>			
Charges for services	15,296	-	15,296
Operating grants and contributions	4,139	-	4,139
Total program revenues	<u>19,435</u>	<u>-</u>	<u>19,435</u>
Net program expenses	<u>(248,516)</u>	<u>(40,469)</u>	<u>(288,985)</u>
<b>General revenues</b>			
Property taxes	177,916	-	177,916
State grants	8,579	-	8,579
District court penal fines	98,470	-	98,470
Investment return	5,862	-	5,862
Total general revenues	<u>290,827</u>	<u>-</u>	<u>290,827</u>
Change in fund balance/net assets	42,311	(40,469)	1,842
<b>Fund balance/Net assets - beginning</b>	<u>314,148</u>	<u>1,145,977</u>	<u>1,460,125</u>
<b>Fund balance/Net assets - ending</b>	<u>\$ 356,459</u>	<u>\$ 1,105,508</u>	<u>\$ 1,461,967</u>

Change in fund balance	\$ 42,311
------------------------	-----------

*Amounts reported in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$84,555) exceeded capital outlay (\$44,086) in the current period.

(40,469)

Change in net assets

\$ 1,842*See notes to the financial statements*

**Berrien Springs Community Library**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Berrien Springs Community Library (the Library) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

The Library is a Class III public library, serving patrons of the Village of Berrien Springs and the Township of Oronoko, Michigan. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Library. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for the single governmental fund, using the columns labeled "Operating Fund."

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



**Berrien Springs Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports a single major governmental fund, the Operating Fund, which accounts for all financial resources of the general government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

*ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are considered to be fully collectible.

*iii) Prepaid assets* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Furniture and equipment	10 years
Materials	5 years

**Berrien Springs Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*e) Property tax revenue recognition:*

Property taxes are levied as of December 1 on property values assessed as of December 31 of the previous year. The billings are due on February 14, with the final collection date of February 28, after which time the bill becomes delinquent and penalties and interest may be assessed by the Library. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - BUDGETARY STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no significant instances of actual expenditures exceeding budgetary amounts. All excess expenditures were offset by under-spending in other line items.

**NOTE 3 - CASH AND INVESTMENTS:**

*a) Cash:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations, that operate within the State. Except as follows, the Library's deposits are in accordance with statutory authority. The Library holds two certificates of deposit (total value of \$99,862) with banks that do not operate within the State. The certificates mature in 2009 and 2010, but are callable by the banks, beginning in May 2005.

At March 31, 2005, the Library had deposits with a carrying amount of \$180,771 and a bank balance of \$196,561, of which \$193,772 is covered by federal depository insurance and \$2,789 is uninsured.

*b) Investments:*

State statutes authorize the Library to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities, b) commercial paper, within three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days, c) repurchase agreements, collateralized by U.S. governmental securities, d) bankers' acceptances, e) qualified mutual funds, and f) investment pools organized under the Local Government Investment Pool Act. Not more than 50% of any fund may be invested in commercial paper.

At March 31, 2005, the Library's sole investment consists of 38 shares of American Electric Power, reported at fair value. Such holdings are not in compliance with statutory authority.

**Berrien Springs Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 4 - RECEIVABLES:**

Receivables (all of which are due within one year) as of year end for the Library in the aggregate, are as follows:

Property taxes	\$ 177,916
Interest	<u>1,084</u>
	<u>\$ 179,000</u>

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Depreciable capital assets:				
Buildings	\$ 1,277,071	\$ -	\$ -	\$ 1,277,071
Improvements	56,110	8,740	-	64,850
Furniture and equipment	107,157	5,303	-	112,460
Books and a/v material	<u>185,746</u>	<u>30,043</u>	<u>(24,188)</u>	<u>191,601</u>
Subtotal	<u>1,626,084</u>	<u>44,086</u>	<u>(24,188)</u>	<u>1,645,982</u>
Less accumulated depreciation for:				
Buildings	377,251	31,927	-	409,178
Improvements	6,187	4,410	-	10,597
Furniture and equipment	71,239	6,251	-	77,490
Books and a/v material	<u>73,430</u>	<u>41,967</u>	<u>24,188</u>	<u>91,209</u>
Subtotal	<u>528,107</u>	<u>84,555</u>	<u>24,188</u>	<u>588,474</u>
Depreciable capital assets, net	1,097,977	(40,469)	-	1,057,508
Land	<u>48,000</u>	<u>-</u>	<u>-</u>	<u>48,000</u>
Total capital assets, net	<u>\$ 1,145,977</u>	<u>\$ (40,469)</u>	<u>\$ -</u>	<u>\$ 1,105,508</u>

The Library's building is in substance, a capitalized lease of property owned by the Township of Oronoko. The Library occupies the facility rent free. Upon maturity of the bonds issued by the Township to finance the project costs, the building will be turned over to the Library, by quitclaim deed. The bonds mature in May 2008.

**Berrien Springs Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:**

The Library makes contributions to IRA accounts, on behalf of eligible employees. Total contributions made during the year ended March 31, 2005, totaled \$3,706.

**NOTE 7 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. These risks of loss are managed through purchased commercial insurance.

**NOTE 8 - EXPIRATION OF PROPERTY TAX MILLAGE:**

The Library's current property tax millage, approved in 1995, will expire December 2006, unless approved by voters within the Village of Berrien Springs and the Township of Oronoko.

**NOTE 9 - SUBSEQUENT EVENT:**

In May, 2005, the Library transferred \$25,000 to the Berrien Community Foundation. Such monies will no longer be accessible to the Library, except as to available income earned thereon. As the Library established itself as the sole beneficiary, the amount deposited will continue to be reported as an asset. A corresponding reservation of fund balance will be shown, to indicate the portion of equity not available as a financial resource.

**NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES:**

During the year ended March 31, 2005, the Library recorded prior period adjustments to correct its method of accounting for certain assets and liabilities, as follows:

	<i>Operating Fund</i>	<i>Government wide</i>
Fund balance/net assets, beginning of year:		
As previously reported	<u>\$ 142,929</u>	<u>\$ 1,627,129</u>
Prior period adjustments:		
Understatement of property taxes receivable	171,219	171,219
Overstatement of capital assets	-	(345,601)
Overstatement of compensated absence liability	<u>-</u>	<u>7,378</u>
Total adjustments	<u>171,219</u>	<u>(167,004)</u>
As restated	<u>\$ 314,148</u>	<u>\$ 1,460,125</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Berrien Springs Community Library****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - Operating Fund**

Year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 170,500	\$ 171,300	\$ 177,916	\$ 6,616
State grants	6,750	8,600	8,579	(21)
Charges for service	9,500	15,300	15,296	(4)
Fines and forfeitures	75,500	98,500	98,470	(30)
Investment return	1,000	2,700	5,862	3,162
Contributions	200	4,100	4,139	39
	<u>263,450</u>	<u>300,500</u>	<u>310,262</u>	<u>9,762</u>
Total revenues				
<b>EXPENDITURES</b>				
Recreation and cultural:				
Salaries	130,700	130,200	128,213	1,987
Books	38,000	41,800	40,092	1,708
Building and equipment maintenance	29,000	24,450	24,417	33
Professional services	9,000	13,350	13,369	(19)
Utilities	15,000	12,600	13,356	(756)
Payroll taxes	10,000	10,000	9,857	143
Insurance	6,500	6,250	6,261	(11)
Supplies	6,200	5,950	6,060	(110)
Employee benefits	4,400	5,200	5,187	13
Communication	2,500	1,600	1,583	17
Administrative costs	1,450	1,650	1,649	1
Education and transportation	1,600	1,100	1,080	20
Programs	1,400	900	943	(43)
Miscellaneous	1,200	1,900	1,841	59
	<u>256,950</u>	<u>256,950</u>	<u>253,908</u>	<u>3,042</u>
Total recreational and cultural				
Capital outlay	6,500	14,350	14,043	307
	<u>263,450</u>	<u>271,300</u>	<u>267,951</u>	<u>3,349</u>
Total expenditures				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	29,200	42,311	13,111
<b>FUND BALANCES - BEGINNING</b>	<u>314,148</u>	<u>314,148</u>	<u>314,148</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 314,148</u>	<u>\$ 343,348</u>	<u>\$ 356,459</u>	<u>\$ 13,111</u>

# SiegfriedCrandallPC

Certified Public Accountants & Advisors

246 E. Kilgore Road  
Kalamazoo, MI 49002-5599  
www.siegfriedcrandall.com

Telephone 269-381-4970  
800-876-0979  
Fax 269-349-1344

August 31, 2005

Members of the Board  
Berrien Springs Community Library  
Berrien Springs, Michigan

In planning our audit of the basic financial statements of Berrien Springs Community Library for the year ended March 31, 2005, we considered the Library's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the combined financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 31, 2005, on the basic financial statements of Berrien Springs Community Library.

We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

*Siegfried Crandall P.C.*

## COMMENTS AND RECOMMENDATIONS

---

### **Compliance with statutory requirements**

#### **a) Deposits and investments**

##### *Finding:*

The Library has not established policies and procedures to evaluate the degree to which investing and operating activities are in conformity with statutory requirements.

As a result, a written investment policy has not been prepared (to be acknowledged by all investment custodians), certain deposits and investments do not conform to those permitted by state statute, and an annual investment activity report has not been prepared, as required by P.A. 20.

The Library has not adopted a resolution that sets forth policy governing ACH and Electronic Transactions, as required by P.A. 738.

##### *Recommendations:*

The Library should consider contacting the Southwest Michigan Library Cooperative, the State Library, or the Local Audit Division of the Michigan Department of Treasury for assistance in identifying key state statutes affecting the Library. Policies and procedures should be established to assure a timely review for new or changes in applicable statutes. A time line should be established to bring all deposits and investments into conformity with guidelines. Donors should be made aware of allowable forms of investments that can be accepted.

#### **b) Budget**

##### *Finding:*

The State expects local units of government to have a spending budget in place to serve as a control over expenditures. The Library has not established policies and procedures to demonstrate timely presentation and approval of budget amendments.

As a result, budget amendments occur after the expenditure is made, rather than in advance (to demonstrate authorization to incur the cost).

##### *Recommendations:*

The Library should review the provisions of P.A. 621 (the Budget Act) and the Budget Manual (prepared by the Local Audit Division of the Michigan Department of Treasury), so as to develop appropriate budgetary policies and procedures.

The Library should consider changing the level of (legal) budget approval from the "line item" level to the "activity" level. By increasing the approval level, the need for constant budget amendments is put off until late in the year when more accurate information is available as to ultimate annual spending. In some years, no amendments may be required. Information regarding line item spending and budget amounts should still be maintained, but excess expenditures at the line item level do not become elevated to a legal compliance issue.



## COMMENTS AND RECOMMENDATIONS

---

### **Cash receipts**

#### *Finding:*

Cash received at the front desk is accumulated and deposited once a month. A register is not in use. Cash is not counted until the deposit is prepared. Such cash is used occasionally to pay bills. As a result, it is not possible to assure that all cash received is deposited intact. During the past year, recorded cash received was about \$15,000.

#### *Recommendation:*

The Library should consider more frequent depositing. Alternatively, cash received could be counted frequently, so as to create an expectation of the amount to be deposited at each month end. The practice of paying bills out of uncounted receipts should be discouraged.

### **Capital assets**

#### *Finding:*

The capitalization policies discussed in the footnotes to the financial statement have not been committed to writing, so as to provide clear and complete communication to those involved in asset acquisition and disposition, including recordkeeping.

#### *Recommendations:*

The Library should establish a written capitalization policy that fits its needs. Attention should be given to both purchased and donated items, and to books. The current fixed asset detail schedule should be reviewed for completeness and consistency with such guidelines.